The Failure of Free Enterprise, Pps. 2-3

Senator Clark's Report Calls for a Planned Economy to Fight That War on Poverty, Pages 2-3

I. F. Stone's Weekly

VOL. XII, NO. 18 MAY 4, 1964 WASHINGTON, D. C. 15 CENTS

How to Make Peace in Cuba, Vietnam and the World

1. *Cuba.* It might be well to remember that the last Communist satellite which shot down U.S. reconnaissance planes ended up a few years later by switching from the Soviet camp to a U.S. protected neutralism. That was Yugoslavia. We're not predicting such an outcome for our relations with Cuba but stranger things have happened. The story illustrates the virtue of patience and the folly of too deep an emotional entanglement with today's quarrels. In any case our Cuban obsession is again making us ludicrous in the eyes of the world. First there's a world crisis because the Russians send troops to Cuba; now there's a new crisis because they're leaving. When the last ones go, 24 anti-aircraft missile sites capable of shooting down U-2s will be in Cuban hands. Castro says he won't stand for aerial reconnaissance; we threaten action if he interferes. What do we do? Beg the Russians to remain—at least until after the election?

No Cuban Planes Over Florida

We suppose it's hopeless to point out that it's a violation of international law to enter another nation's airspace against its will; we're parties to treaties which establish this. We don't invite Cuban planes to fly over Miami, Florida, to check by aerial photography whether any new Bay of Pigs invasion is in preparation. If Russian or Chinese planes ever appear over our territory, we'll shoot them down. We stopped sending U-2s over the Soviet Union when the Russians shot one down, and we use satellites and oblique angle photography instead. We could do that over Cuba, too. But it would, we suppose, hurt our national pride not to be able to violate international law over such a small country.

We have one war on our hands in Vietnam. Do we want another in Cuba? Since 1961, the number of right wing dictatorships in Latin America have risen from three to nine;* we helped bring many of them into power; we co-exist peacefully with all of them. The latest, Brazil, is our pride and joy. It's about time—just to show our impartiality—we co-existed peacefully with the one leftwing dictatorship in the hemisphere. We suggest that James B. Donovan be sent back to Cuba to negotiate compensation for U.S. property owners as part of a deal to include resumption of trade and diplomatic relations; we can see a lot more on the ground from Havana than up in the air from a U-2. Secondly we suggest that Donovan explore the offer made by Cuba to the United Nations just before the missile crisis to accept demilitarization of the island if given firm international guarantees against aggression. Finally we propose, since we're afraid Castro might export revolution, an ideological non-aggression pact between the U.S. and Cuba whereby both sides agree not to finance, train or arm groups openly or covertly designed to overthrow the regime of either country, or any other country in the hemisphere. We believe this could be made a politically attractive package at home.

Just in Time

"Goulart later, March 30, declared in a nationwide TV broadcast that he would continue to seek economic reforms despite opposition to his program by his political enemies. He charged that this opposition was financed by illicit remittances from big foreign companies (drug manufacturers and petroleum companies) and landowners." [Parenthesis in original.]

—Facts on File, March 26-April 1, p. 103

"New Brunswick, N.J.—American drug companies in Brazil would have been expropriated on April 7 if the Goulart government hadn't been overthrown, P. B. Hofmann, chairman of Johnson & Johnson, said at the annual meeting. Mr. Hofmann said he understood that a decree already had been written and signed to expropriate U.S. drug manufacturing operations in Brazil. He described Johnson & Johnson's operations in Brazil, employing 2,200 persons, as 'our biggest problem.' He added, however, that with the new Brazilian government the outlook is much better."

—Wall Street Journal, April 15

2. *South Vietnam.* Last August a leader of the South Vietnamese National Liberation Front told Georges Chaffard of *Le Monde* (Aug. 24) that the Front did not wish to exchange one dictatorship for another nor to become dependent on the North. We propose that this be explored to see whether the Front would end the guerrilla war if free elections under UN auspices were held to establish a democratic regime. The Front has been on record since August 15, 1962 for a neutral belt to include South Vietnam, Cambodia and Laos (*Georges Chaffard: Indochine,* Paris 1964 p. 193). Such a belt could end the war in South Vietnam and trouble in Laos. A neutral, democratic Republic in South Vietnam would provide a face-saving exit for our own country and an end to the misery of its people.

What would China's attitude be? "The French delegation" at the SEATO conference in Manila "was said to have maintained" according to a dispatch in *The Times* of London April 16 "that Chinese fears of South Vietnam being used as an American base would have to be dispelled before a neutralist solution could be achieved." One way to do this would be to restore the 1954 pact which ended the Indochinese revolt against the French. Then Cambodia, Laos and Vietnam were to have been neutralized. Our CIA violated those accords in Laos, provoking revolt and intervention from the

(Continued on Page Four)

*** Only Paraguay, Haiti and Nicaragua were rightist dictatorships at the beginning of 1961. Since then Guatemala, Honduras, El Salvador, Dominican Republic, Ecuador and Brazil have been added to the list.**

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The Clark Report Shows Failure of "Free Enterprise" to Meet The Jobs Crisis . . .

If the President, by his poverty message, served the historic purpose of putting poverty into the headlines, the Clark report* serves the purpose of sketching in the true dimensions of the problem and of the steps necessary to deal with it. For the first time since the passage of the Employment Act of 1946, a group of Democratic Senators suggest, though gingerly, the need for a planned economy and for an unprecedented expansion of public expenditure. We recommend a close study of it. Even the Republican minority (Prouty, Jordan and Javits), though opposed to planning, have some excellent suggestions for long overdue reforms in social security and in the lagging "food stamp" plan. Above all the humane Senator Clark of Pennsylvania and his Democratic colleagues (Randolph, McNamara, Pell, Kennedy and Metcalf) deserve applause for moving the country toward a war on poverty which could be more than a deceptive metaphor. For as Ralph Helstein of the Packinghouse Workers told a Socialist Party conference on poverty here two nights before the Clark report was released, "This is the first war we ever began by announcing we would fight it on a balanced budget." The very next day, as if to emphasize the ambivalence of the Administration's approach, we heard Mr. Johnson boast that total Federal employment, thanks to the absence of an accelerated public works program, was down 13,000. "That figure, I know," Mr. Johnson said, "will interest Senator Byrd." A war on poverty, waged with one eye on Senator Byrd, can easily become a series of retreats.

Three Million Fewer Jobs

Where the Clark report calls for vigorous amplification by others is its failure to say loudly and clearly enough that free enterprise cannot solve our problems. But the unmistakable facts themselves are there. Let us summarize just what is this "manpower revolution" as described in the Clark report. In the 10 years 1947-57, employment in industry rose three-quarters of a million per year. But in the six years from 1957-63 "despite substantial increases in output and creation of new products and industries," employment in the industrial sector actually declined by 300,000. The number of workers engaged directly in production was about 500,000 less than in 1947. In construction, though activity is up 17% since 1956, there has been no increase in employment. "When agricultural employment is included," the report says, "the goods-producing sector has experienced a net loss of more than 3 million jobs over the last 6 years." This is the rate at which machines have been displacing men.

It is against this appalling backdrop that we must measure the magnitude of the unemployment problem. This is figured at a persistent 5½% of the work force, though the real rate may be between 7 and 9%. *Yet only to keep joblessness from rising any higher,* to keep pace with population increase, we need 3½ million new jobs every year through the rest of this decade. To reduce unemployment to 3%—the goal set by the Clark report for 1968—we would have to create somewhere between 6 and 8 million new jobs a year. So-called free enterprise cannot begin to meet a challenge of those dimensions. On the contrary it has been failing steadily to keep up with the need for jobs. In the six years from 1957 to 1963, when total non-farm employment increased 4.3 millions, "The net increase in full-time employment generated by the private profit-making non-farm sector of the economy has been only 300,000 jobs since 1957."

That is an average of 50,000 a year. Measure *that* against the 3½ million jobs we need to take care of the youth coming up, or against the 6 to 8 million jobs we need to reduce joblessness to 3% of the population, and you can see how hollow and dangerous is all the pious nonsense about free enterprise which is the ideology and religion of our businessman's civilization. Without a change in our thinking, our society

No Longer The Poverty of Horatio Alger

"The 20% of American families with annual incomes under $3000 are of increasing concern not only because the general level of affluence has left them relatively more depressed, but because poverty in America has been changing in nature. The American frontiersman knew poverty as he struggled to build a society sufficiently productive to offer a more abundant life. The immigrant knew poverty as he entered a new land and prepared his children to move upward in the economic and social scale. In both cases, poverty was a transition stage to better things. Poverty in modern America tends to be a permanent state, concentrated among certain disadvantaged groups and in many cases continuing generation after generation."

—Clark Report: Toward Full Employment

*** Toward Full Employment. A Report by the Subcommittee on Employment and Manpower, U.S. Senate. Joseph S. Clark, Pa., Chairman. Edward D. Friedman, Counsel; Dr. Garth L. Mangum, research director. This is the second of two articles dealing with the report. The first appeared last week.**

Despite Privation, Too Little Use Being Made of "Food Stamp" Program

"How effective has the administration been in helping to resolve one of the most challenging problems of our time —the problem of sharing our huge agricultural surpluses with people who are hungry?

"With respect to the existing direct distribution of food packages—a program for which the States and localities bear the entire administrative costs—a few food items have been added, including peanut butter and, from time to time, canned chopped meat. But, in general, the program has been limited to about 10 items including butter, nonfat dried milk, dry beans, milled rice, cornmeal, flour, lard, rolled wheat, and cheese.

"As to the 'food stamp' program, hailed as a bold new step forward, the actual expenditures show that it was, indeed, a limping step. For of the $50 million allocated only $13.5 million was spent in 1962 and just $18.6 million in 1963. Although over 200 communities have asked to participate, the program has been limited to 45 areas.

"Some problems [have been] developing even in so small a program. Participants have found it difficult to meet the requirement that ['bonus stamps'] be purchased once a month in a lump sum. For example, a family of five with a monthly income of $105 must put up $46 in a lump sum to receive 'bonus stamps' amounting to $42.

"Despite the privation in many poverty stricken areas, the administration failed to use more than a fraction of the money allocated for the food stamp program."

—GOP Minority In The Clark Report (Abridged)

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. . . Planning and A $5 Billion Annual Stepup In Public Works Advocated

will stumble into serious social struggles in the years ahead.

Abroad capitalist societies less wedded than ours to simple-minded myths about free enterprise have succeeded, as the Clark report shows, in holding unemployment below 2%. Various combinations of central planning in mixed societies with large areas of public ownership have made this possible. But what capitalists in Japan, Germany, France, Sweden and Norway take for granted looks revolutionary here. Yet without such "revolutionary" steps we cannot hope to meet the challenge of the manpower revolution. The Clark report does not say this strongly and clearly. But the message is there all the same.

On The Most Favorable Assumptions

If the Clark report is less outspoken than it should be, it is more outspoken than the labor movement. Where the labor movement calls for $2 billion a year in public works, the Clark report says that *on the most favorable assumptions* about private sector employment, it will take a $5 billion a year increase in Federal expenditures *every year* between now and 1968 to reduce unemployment to 3%. Those assumptions, as may be seen from the footnote on pages 40-1 of the report, a bit of dynamite in small type, are highly improbable. More will be required, unless the government by central planning for the private sector orchestrates an industrial expansion commensurate with human need. This, which is accepted as good sense in capitalist societies abroad, will bring an hysterical outcry about socialism here.

The choice is not between free enterprise and planning. The choice is between an economy planned on a profitably restricted basis as now, or one planned for maximum human need. The choice is not between an individualistic capitalism and collectivism. The choice is between a society planned by the private collectivisms we call corporations, planned to suit the needs of the fortunate, and a society planned by the whole collectivity for the benefit of all its members. It is here that a strong infusion of old-fashioned socialist analysis and thinking is essential just to move us abreast of the other "capitalist" nations with their mixed societies and pragmatic forms of central direction for the maintenance of demand. This is where the Socialist Party, whose Michael Harrington did so much to put poverty on our political map, could perform a service, and it was this which led me with so much interest to its conference on poverty.

Unfortunately our politics are so lopsided that everything (including me) is skewed to the right. The people we call conservatives are usually reactionaries like Goldwater or crypto-Fascists like the Birchers. The liberals, as may be seen from the Clark report, are just about where the conservatives are in Western Europe and Japan. And the Socialists, as I heard them at their conference, are not much more than militant liberals. And even I, in trying to popularize some familiar Socialist concepts from the past, am only in desperation advocating the modernization of American capitalism!

Perhaps the most important suggestion at the Socialist Conference was by Prof. Aaron Levenstein of City College when he said that if computers can solve the problems of production, they can solve the problems of distribution. It would be good to get away from stale talk of public works and down to the brass tacks of matching our production system to the needs of our people. A national inventory of human need, in concrete terms of specific commodities and services—food, clothes, housing and education—would lay the basis for a Plan really to transform America. Let's feed poverty to the computers and we'll soon see how much work there is for idle hands to do. In the 30s we spoke of production for use, not profit. Down this road lies the only way to wage a really unconditional war on poverty at home and abroad.

The Paradox Which Could Be Fruitful

"The U.S. finds itself in the interesting position of having idle manpower and industrial capacity and immense backlogs of unfulfilled public needs for which the manpower could be used and the funds expended. It was in reference to this paradoxical situation that the Swedish economist, Gunnar Myrdal, remarked to the subcommittee, 'It is almost fortunate, as I see it, that you have such tremendous amounts to be done in reconstructing your cities and modernizing your transport system.' . . . These needed expenditure increases plus additional amounts to offset possible reductions in defense expenditures or other existing programs make an attack on accumulated social ills . . . not only possible and desirable but a necessary condition for full-employment."

—Clark Report: Toward Full Employment

The Inadequacies and Injustices of Our Social Security System

"What is even more disturbing is the increase in the number of social security beneficiaries who must apply for welfare. In 1950 about 300,000 persons were under both programs. Today the figure is over 800,000 meaning that almost 4 out of every 10 welfare recipients (37%) are on social security. The question may legitimately be asked as to whether social security has any real meaning to these people.

"What is the cause of this growing dilution in the meaningfulness of the social security benefit? Certainly the major factor is the size of the benefit itself—a worker's benefit which can be as low as $40 a month and which averages just a little over $75 a month. These are benefits at poverty levels.

"Moreover, there are devices built into the social security system which actually hinder a worker who has the initiative to try to bring himself up to a level of decency. The principal offender is the social security "retirement test" or income limitation. Let's see how this affects our average retired worker and his spouse. He and his wife receive benefits totaling about $103 a month, or $1,236 a year. He can earn $1,200 a year without losing any benefits, but this only brings the family income up to $2,436, considerably below the annual family income level of $3,000 which administration spokesmen say indicates the "poverty" line. If our aged worker decides to earn another $600, he will find that earning this additional amount has cost him $350 in benefits. But the "treadmill" is only warming up for when his earnings pass $1,700 a year the social security law requires that for every dollar of earnings a dollar of benefits will be lost.

"This is a perfect example of the right hand not knowing what the left hand is doing. The administration declares "total war" on poverty but does not suggest amendment of existing programs which are perpetuating the disease."

—GOP Minority In The Clark Report (Abridged)

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There Can Be No Missile Freeze Until The Germans Are Frozen Out

(Continued from Page One)

other side. We broke the pact by sending our military into South Vietnam. Restoration of the Pact would, of course, include North as well as South Vietnam. The pact pledged all these countries not to allow foreign military bases, not to make any military alliances and not to allow foreign military personnel on its territory. Both North and South Vietnam would again be neutralized — another face-saver for the world's most Oriental Western country.

North Vietnam Wants Peace

What of North Vietnam? On three occasions, Western foreign correspondents have been told by Ho Chi-minh or Pham Van Dong, North Vietnam's Prime Minister, that North Vietnam was prepared to postpone reunification if trade were resumed in peace between North and South; the normal exchange of Hanoi's surplus coal for Saigon's surplus rice would wipe out most of the trade deficits on either side. China, for its part, needs peace in Southeast Asia in order to expand trade with the West as a substitute for the supplies it used to get from Russia. De Gaulle as intermediary is in the best position to draw these strands together in negotiation for a durable peace in the area. The conjecture of forces favors a settlement.

Admittedly, from a narrow political point of view, it would be more comfortable to let the Vietnamese people go on suffering—and Americans dying—in Vietnam until after the election. Johnson is afraid of being outflanked on the issue by Lodge and the Republicans; McNamara, in light-headed fashion, has staked his political future on the war. But there is no reason to believe the war can be kept on ice until after November. Our puppet forces have lost the will to fight. Johnson may soon have to choose whether to intervene with U.S. troops to please the hotheads or take constructive steps toward peace, steps which, as recent polls show, have substantial support among the American people.

3. *The Big Picture.* We believe President Johnson is deeply devoted to the cause of peace. We are impressed with what he has said, almost in every speech he has made, of the urgency and necessity of peace. His offer of a missile freeze and his new joint action with Khrushchev on a cutback in nuclear materials output represent initiatives for which the new Administration deserves credit. We are inching our way toward a settlement with the Russians, though as yet the only agreements whether written, as in the nuclear test ban treaty, or tacit, as in the uranium cutback, reflect no more than a recognition on both sides of how badly basic resources are being wasted in overkill preparations.

To move beyond this to genuine measures of disarmament, however, will require greater flexibility and more imagination on our part. The obstacle is the NATO multilateral force. We cannot talk of preventing the proliferation of nuclear weapons while at the same time giving the Germans greater access to them—against the wishes of most of our allies as well as our opponents. Nothing will come of the potentially fruitful freeze proposal until we are ready to freeze the Germans out of the nuclear picture. *April 22*

Suckers For Arms Salesmen

"An atmosphere now prevails, based on the few significant successes that more [weapons] breakthroughs are just around the corner; that all one has to do is give large sums of money to industry and they will be produced. The military became like the poor boy allowed to roam freely in a large toy shop before Christmas.

"The military men, because they are not generally knowledgeable in this area and because of the high respect they accord men in industry, are frequently persuaded to support developments conjured by sales engineers. In many cases such projects are offered just to keep the organizations alive. Once the contract is obtained, the contractor is protected by the mantle of military necessity. Frequently the only people knowledgeable about what is going on are the contractor personnel themselves who have a vested interest in seeing to it that that contract is kept going. What concerns me most about this military-industrial complex is that it has decreased our national strength by equipping our fleet with unreliable weapons."

—Adm. Rickover, 1965 Defense Approp. Hearings

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Vacation Notice

Dear Readers:

We can't go on a vacation this summer because of the two conventions so we're taking our usual vacation now and combining it with a trip abroad, hoping to report among other things on the water crisis in Israel and the Middle East. So we are suspending for three weeks. The next issue will be the one dated June 1. It's been immense fun back on weekly schedule. Our deepest thanks for the many kind letters received about it, few of which unfortunately (we ask forgiveness) we have been able to answer.

I. F. Stone

I. F. Stone's Weekly
5618 Nebraska Ave., N. W.
Washington 15, D. C.

Newspaper

Second class postage paid at Washington, D. C.

I. F. Stone's Weekly. Second Class Postage Paid at Washington, D. C. Published every Monday except in August at 5618 Nebraska Ave., N. W., Washington, D. C. An independent weekly published and edited by I. F. Stone; Circulation Manager, Esther M. Stone. Subscription: $5 in the U.S.; $6 in Canada; $10 elsewhere. Air Mail rates: $15 to Europe; $20 to Israel, Asia and Africa.

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